



United States Department of Agriculture
Agricultural Adjustment Administration
Washington, D.C.

September 16, 1939

To Flue-cured Tobacco Farmers:

As a result of the large tobacco crop of this year and the recent withdrawal from the market of the buyers for the British trade, growers of flue-cured tobacco are confronted with what is considered by many to be the most serious crisis they have ever experienced in marketing their crop.

At the close of business on September 8, the Imperial Tobacco Company withdrew its buyers from the market. The European war, which caused the Imperial buyers to be withdrawn, also caused other British companies to withdraw orders for further purchases of flue-cured tobacco at this time. In recent years about one-third of all flue-cured tobacco produced in this country has been exported to Great Britain.

Thus to the difficulty already caused by the 200 million pound surplus from the billion pound 1939 crop was added withdrawal from the market of buyers who had been counted upon to purchase a large part of the crop. With nearly 600 million pounds of tobacco still to be sold by farmers, warehousemen and buyers knew that if the markets were kept open prices would drop far below those paid through September 8. Therefore, they closed the warehouses, as soon as the floors could be cleared, until plans could be developed to meet the emergency.

Everything possible is being done to get the buyers for the British trade to go back on the market and to take their normal purchases. The result of these efforts probably will not be known for some time. In the meantime, the most important matter is the decision as to the size of the 1940 crop of tobacco. Growers will be given an opportunity to vote on this question in a referendum. At the same time, plans are being made as to the action to be taken in case foreign buyers do not return to the market and take their usual purchases. It is realized that it would not be sound to undertake to sustain prices unless farmers decided to support the program by regulating marketings in 1940.

It is my duty to point out further that even with regulated marketings it is not certain that prices can be maintained at levels prevailing before the markets were closed. Without regulated marketings I do not know how low prices would go for the remainder of this crop or for the 1940 crop.

It was intended before the present emergency to issue farm acreage allotments before holding a referendum for 1940. However, about two months would be required to determine allotments equitably and issue them to farmers. It is apparent that holding of the referendum, opening of the markets, and taking of action to support prices, can not be delayed for so long without inflicting severe hardships on individual farmers and demoralizing business generally. Therefore, the statements below are made in order that farmers may be informed accurately of the major changes made by amendments to the tobacco provisions of the Agricultural Adjustment Act at the last session of

Congress and in order that they may know the probable minimum figures below which no allotment will be set.

Under the amendments each farm will have an acreage allotment and if the acreage harvested does not exceed this allotment, the entire production, no matter how high the yield per acre, can be marketed without penalty. Since any cooperating farmer can sell the entire production in his acreage allotment, there will be no transfer of quotas from one farm to another.

Allotments for small farms will first be calculated so as to be comparable with allotments for larger farms and then they will be increased by 20 percent but not above the acreage which, with a normal yield, would produce 3200 pounds of tobacco. For example, if the allotment computed for a farm for 1940 is two acres and the normal yield is 200 pounds (1000 pounds per acre) then the allotment will be increased to 2.4 acres. On the other hand, if the allotment is 3 acres and the normal yield 3000 pounds (1000 pounds per acre), then the allotment will be increased to only 3.2 acres rather than by 20 percent. The increase of allotments for small farms is limited strictly to farms not operated, controlled, or directed by a person who also operates, controls, or directs another farm on which tobacco was produced.

The last amendment of interest to farmers provides a flat penalty of 10 cents per pound on all sales of tobacco in excess of the actual production on the acreage allotment for the farm.

In connection with allotments, the following facts may be helpful. Under the regulations which have been prescribed it is extremely unlikely that the 1940 acreage allotment for any regular or old tobacco farm will be reduced more than 20 percent, or $1/5$, below the 1939 allotment of "acres to plant", unless an error is found in the figures used in calculating the 1939 acreage allotment. Any farm on which the harvested acreage in 1939 was materially larger than the 1939 allotment can not count upon receiving an increased allotment in 1940 by reason of having planted the larger acreage, but may receive some increase in the 1939 allotment if it is justified by the land, labor and equipment found to be available for tobacco after considering other cash crops on the farm. For farms on which tobacco was grown in 1939 without an acreage allotment, the allotment will be based on $1/5$ of the 1939 harvested acreage adjusted up or down by local and county committees on the basis of crop rotation practices and the land, labor and equipment available for tobacco as compared with other farms similarly situated in the community.

I regret, and I am sure you do, that this situation has arisen. Its full correction may require more than one year. The Department of Agriculture and other government agencies will exert every sound and equitable effort to meet this situation but its final solution will depend upon cooperation by you and other growers.

Sincerely yours,

H A Wallace
Secretary.